

e-pay Asia Limited

AND ITS CONTROLLED ENTITIES

ABN 99 089 227 887

**General Purpose Financial Report for year ended 31 December 2010
Together with Directors' and Independent Auditor's Reports**

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e-pay Asia Limited Company Directory

Directors

Simon Loh - Executive Chairman / Chief Executive Officer
Chih Ming Yap - Executive Director / Chief Financial Officer
CY Chin - Non-Executive Director
Singam Sabaratnam - Non-Executive Director

Company Secretary

Robert Lees

Registered Office

e-pay Asia Limited
Suite 2802, Level 28, St Martins Tower,
31 Market Street, Sydney NSW 2000 Australia
Tel: +612 9267 4633
Fax: +612 9267 4388
Website: www.epay-asia.com

Regional Headquarters

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Australian Share Register

Computershare Investor Services
Level 3, 60 Carrington Street
Sydney NSW 2000
Tel: +612 8234 5000

Auditors

Hall Chadwick

Stock Exchange Listings

e-pay Asia Limited shares are quoted on the Australian Stock Exchange.

Stock Code

ASX: EPY

Chairman's Statement

In the period under review there was an overall improvement in economic conditions in our core market, Malaysia, where the growth in GDP for 2010 was 7.2% compared to -1.7% in 2009. It is our view that the improved economic conditions resulted in an improvement in the economic circumstances of our customers who, with increased purchasing power, bought more of epay Asia's pre-paid mobile phone services in 2010 than in the previous year.

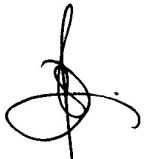
Revenue for the year ended 31 December 2010 increased by 4% to \$10.8m. EBITDA (before impairment losses) improved to \$4.2m (2009: \$4.0m) with an EBITDA margin (before impairment) of 38.6% (2009: 39.2%). The slight reduction in EBITDA margin was mainly due to an increase in advertising, marketing and promotions expenses.

The Company generated \$5.9m net cash from operations in 2010 (2009: \$6.0m) and is in a strong cash position with a total cash balance of \$12.2m (2009: \$7.7m) and net cash of \$8.4m (2009: \$0.9m). Our total cash balance includes the \$2.4m (after costs) that was raised via a rights issue completed in September 2010.

In the Malaysian market we witnessed continuous revenue growth. This growth momentum remains despite the mobile phone penetration rate having exceeded 100% in December 2010. Airtime commission revenue rose 5.2% to \$10.4m (2009: \$9.9m). Improved asset management resulted in lower depreciation costs and management continues to focus on recommended strategies to further improve asset utilisation and cost management.

In line with our stronger financial performance overall the basic earnings per share rose by 57.2% from 2.97 cents in 2009 to 4.67 cents in the current year.

On behalf of the Board, I would like to express my appreciation to the dedicated management team and the Company's employees for their hard work. They have been instrumental in achieving these very positive results in the period under review.



Simon Loh
Executive Chairman

e-pay Asia Limited Directors' Report

The Board of Directors has pleasure in submitting its report on the consolidated entity ("Group") consisting of e-pay Asia Limited ("Company") and the entities it controlled at the end of, or during, the financial year ended 31 December 2010.

Directors

The names and details of the directors of the parent company in office during the financial year and up until the date of this report are as follows. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

<u>Names</u>	<u>Qualifications, experience and special responsibilities</u>
Simon Loh (Executive Chairman / Chief Executive Officer)	Simon Loh was appointed as a Managing Director on 23 December 2005, he relinquished the Managing Director position in July 2007 and became a Non-Executive Director. Mr Loh was appointed as Chief Executive Officer on 17 October 2008. Mr Loh has been selected as the winner for Ernst & Young Entrepreneur of The Year Malaysia 2006 Award under the Technology Category in December 2006. Mr Loh is one of the founder members of e-pay (M) Sdn Bhd. Mr Loh formed Telemas Corporation Sdn. Bhd. in 1989, a mobile phone retailer and master distributor for Ericsson. Mr Loh is a Malaysian citizen who carries Australian Permanent Resident status and is based in Kuala Lumpur.
Chih Ming Yap (Executive Director / Chief Financial Officer)	Mr Yap, 39, joined e-pay (M) Sdn Bhd in 1999 as Head of the Finance Department. He was appointed Director of Finance of the Group in 2006 and was appointed to the Board as Chief Financial Officer on 31 July 2007. He is a Chartered Accountant with considerable experience in Merger and Acquisition and Joint Venture transactions both in Malaysia and offshore as well as in depth knowledge of South-East Asian accounting practices. He was previously Head of Accounts at Telemas Corporation Sdn. Bhd., a leading mobile phone distributor based in Malaysia. Mr Yap has been an Associate member of the Chartered Institute of Management Accountants, United Kingdom, since 2000. He is a Malaysian citizen and resides in Kuala Lumpur.
CY Chin (Non-Executive Director) (Appointed on 15 June 2010)	Mr CY Chin started his career with Shell and spent 24 years mainly in Sales, Distribution, Marketing and Technical Services. His last posting in Shell was in London at the Shell Center where he spent three and a half years as shareholder representative and/or functional representative for 26 Shell Operating Companies in the Asia Pacific Coast, Indo China, South East Asia, South Asia, Middle East and also French Africa. He subsequently joined Maxis in 1997 as Executive Director of Sales, Distribution and Marketing and helped build the Maxis (largest mobile operator in Malaysia) telco brand to be number 1 in Malaysia. He was seconded to Astro Satellite Broadcast Services ("Astro") as Executive Director of Sales, Distribution and Marketing in 1999. He was instrumental in building Astro to become the biggest satellite operator in the Region with services in Malaysia, Brunei and going into India today. He was head hunted to join Celcom (2nd largest mobile operator in Malaysia) in 2002 as Head of Customer Facing Unit and was part of the new management team to restructure the company. He also served in the Sales, Distribution and Marketing functions until 2004. Upon retirement from Celcom, he rejoined Usaha Tegas Sdn Bhd (major shareholder of Maxis and Astro) in 2005. Until 2009 he was in International Projects for market entries and was a director of Aircel Limited (A subsidiary of Maxis in India) from 2006 -2007. Currently he is Chairman of Australian Wood Panels.

Names**Singam Sabaratnam**

(Non-Executive Director)

(Appointed on
16 February 2011)**Qualifications, experience and special responsibilities**

Mr Sabaratnam has over 20 years experience in the management of sales and customer service, largely in the information technology and telecommunications industries. He has worked in Australia and in South East Asia for companies such as Primus, and has a very strong understanding of EPY's target markets in the region. Mr Sabaratnam has extensive experience in developing sales channels and the management of sales functions at a senior level across both the IT and telecommunications sectors.

Jack Tan

(Non-Executive Chairman)

(Resigned on
15 June 2010)

Jack Tan was appointed as a Director on 1 February 2007 and was redesignated as Non-Executive Chairman on 17 October 2008. He was also a member of the Company's audit committee and nomination committee. He has over 20 years experience as an Investment Advisor with leading stockbroking firms in Sydney. He is currently a Board Director of two Australian listed companies; Orocobre Limited and Vietnam Emerging Capital Ltd and is a director of a private investment company, Coin Equities Pty Ltd. Mr Tan holds a Bachelor of Business Administration from University of Singapore, a Master of Applied Finance from Macquarie University and is a Fellow of the Financial Services Institute of Australasia (FINSIA). He is an Australian citizen and he resides in Sydney, Australia. Mr Tan resigned as Director on 15 June 2010.

Rodney James Huey

(Non-Executive Director)

(Resigned on
27 May 2010)

Mr Rodney James Huey was appointed to the Board as a Non Executive Director on 1 November 2007. Mr James Huey has extensive financial services experience spanning 40 years primarily with Westpac Banking Corporation. He is a member of Australia China Business Council, Australia Fiji Business Council and the American Chamber of Commerce in Australia as well as a Trustee of the Committee for Economic Development of Australia (CEDA). He holds a B.Sc. (Honours-Financial Services) degree from the University of Manchester (UK) and is a Fellow of the Australian Institute of Company Directors and of the Financial Services Institute of Australasia. He is currently managing director of Ability Education Pty Ltd and also holds directorship positions within Paymate Pty Ltd, Resimac Limited, Chinasourcing Company Limited, Petroflow Solutions Pty Ltd, OzzyConnect Limited, Silverwood Corporation Pty Ltd and Advisory Board of Sabina Corporation Ltd. He is an Australian citizen and he resides in Sydney, Australia. Mr James resigned as Director on 27 May 2010.

Company Secretary

The following person holds the position of a company secretary at the end of the financial year:

Names**Robert Lees****Qualifications, experience and special responsibilities**

Robert Lees was appointed Company Secretary on 7 March 2008. He holds a Bachelor of Business (Accounting) degree from the University of Technology, Sydney and a Graduate Diploma in Corporate Governance. He is an Associate of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia. He has served as a Company Secretary on a number of ASX listed entities since 1998.

Directors' Meetings

The number of meetings of directors (including committees of directors) and the attendances at the meetings during the financial year ended 31 December 2010 were:

Name	Directors' Meetings Held	Directors' Meeting Attended	Audit Committee Meetings Held	Audit Committee Meetings Attended	Nomination Committee Meetings Held	Nomination Committee Meetings Attended
Simon Loh	5	5	-	-	-	-
Chih Ming Yap	5	5	-	-	-	-
CY Chin	3	3	1	1	-	-
Jack Tan	2	2	1	1	-	-
James Huey	1	1	1	1	-	-

Principal Activities

The Group is principally engaged in the provision of voucher and on-line top-ups for various prepaid services (principally mobile phone air-time) in Malaysia, Pakistan and Thailand and the sales of software services.

Results

The consolidated net profit of the Group for the financial year after providing for income tax and eliminating outside equity interest amounted to \$1,763,228 (2009: \$836,284).

Dividends

No dividends were paid or declared since the start of financial year. No recommendation for payment of dividends has been made.

Review of Operations

Financials

Consolidated revenue for the year rose by 4% from \$10.3m to \$10.8m with higher contribution from airtime commission revenue. Looking ahead airtime usage is expected to increase as economic conditions continue to improve and the penetration rate of mobile phone users continues to rise.

The Company generated positive operating cash flow of \$5.9m during the year (2009: \$6.0m) with a closing total cash balance of \$12.2m and net cash of \$8.4m (2009: \$7.7m and \$0.9m respectively). Improved trading conditions and increased revenue from airtime commissions were the main contributors to the positive operating cash flow. Earnings per share in 2010 were 4.67 cents (2009: 2.97 cents). No dividend is proposed for the period.

Strategy

Malaysia's high mobile phone penetration rate and the government initiative to expand broadband penetration have transformed Malaysian telecommunications into a dynamic, rapidly changing industry. Telecommunications companies are introducing new packages and offers to attract new customers and they are also starting loyalty programs to retain existing customers. Providing effective marketing programs and distribution channels will continue to be the Company strategies aimed at maintaining our market leading position.

In addition to expanding our distribution channels, the Company is focussing on the following strategies:

- *Full product range for the telecommunications business*
There will be additional mobile virtual network operators (MVNO), WiMAX and 3G broadband providers launching their products into the market place in the short term. The Company will aim to carry all products to complete its product offering and become a one stop reload point for prepaid mobile airtime.
- *Non telecommunications reload and bill payment*
Online games, discounted long distance calls, airline ticketing, prepaid wallet, internet access and bill payment services present an opportunity to leverage our infrastructure to generate new revenue streams. Despite this being a smaller market than our telecommunications business this group of products presents huge growth opportunities, particularly the bill payment service.
- *Capital and asset management*
Improving our sales productivity and better utilisation of resources will be the priority and will help the Company in its efforts to implement its business building strategies.

Outlook

The Company will continue to widen its product offering to compete effectively and successfully in this vibrant industry and in a market showing continued improvement in overall economic conditions.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the Group occurred during the financial year.

Future Developments

The likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this annual financial report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Key Business Strategies and Future Prospects

The Group's business strategies and prospect for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the Group.

Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth.

After Balance Date Events

No matter or circumstances has arisen since the end of the financial year which significantly affected, or may significantly affect:

- (a) the Group's operations in subsequent financial years, or
- (b) the results of those operations in subsequent financial years, or
- (c) the Group's state of affairs in subsequent financial years.

Options and Shares or Other Interests Under Option

No options granted to directors or relevant officers as part of their remuneration during the financial year or since the end of the financial year.

Shares issued on the exercise of options

No shares have been issued on the exercise of options during the financial year or since the end of the financial year.

Shareholdings of key management personnel

	Balance 1/1/2010	Granted as remuneration	On exercise of options	Net change other *	Balance 31/12/2010
31 December 2010					
Directors					
Simon Loh	12,125,999	-	-	22,944,605	35,070,604
Chih Ming Yap	206,923	-	-	769,780	976,703
CY Chin (Appointed on 15 June 2010)	-	-	-	100,000	100,000
Singam Sabaratnam (Appointed on 16 February 2011)	-	-	-	-	-
Jack Tan (Resigned on 15 June 2010)	39,336	-	-	-	39,336
James Huey (Resigned on 27 May 2010)	30,000	-	-	-	30,000
Other Key Management Personnel					
Eng Sun Sam	23,708	-	-	-	23,708
Dato' Hassan	2,128,475	-	-	2,128,586	4,257,061
Danny Leong (Appointed on 1 July 2010)	-	-	-	423,524	423,524

* Net Change Other refers to shares purchased or sold during the financial year.

Loans to directors and executives

No loans were made to directors or executives during the financial year.

Indemnifying Officers or Auditor

During the financial year the parent Company has paid a premium in respect of a directors' and officers' liability insurance contract for all directors and secretaries of the Company named in this report.

The policy insures persons who are directors or officers of the company and its controlled entities against certain liabilities incurred as such by an officer or director, while acting in that capacity. The premium has not been determined on an individual entity, officer or director basis. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract as such disclosure is prohibited under the terms of the contract.

No other agreements to indemnify directors, officers or auditors have been entered into, nor have any payments in relation to indemnification been made, during or since the end of the financial year, by the Company.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Non-audit services

The Company may decide to employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year ended 31 December 2010 are set out below.

The Board of Directors in accordance with advice from the audit committee is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objective of the auditors, and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year the following fees were paid or payable for services provided by the auditor of the Company its related practices and non-related audit firms.

	Consolidated 2010 \$
Taxation Services	
<i>Hall Chadwick</i>	
- Tax compliance services	26,380
<i>Crowe Horwath Kuala Lumpur</i>	
- Tax compliance services	5,370
Total remuneration for taxation services	31,750
Advisory Services	
<i>Hall Chadwick</i>	
- Valuation report	4,106
Total remuneration for advisory services	4,106

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of e-pay Asia Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained on pages 14 to 16 of the Financial Report

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information provided under headings A-D includes certain remuneration disclosures that are required under Accounting Standard AASB 124: Related Party Disclosures. These disclosures have been transferred from the financial report, and have been audited where indicated.

A Principles used to determine the nature and amount of remuneration (audited)

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework provides for a mix of fixed and variable pay.

Non-executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The fees paid to non-executive directors are inclusive of committee fees.

Non-executive director fees and payments are reviewed annually by the Board and comprise a fixed pay component only.

Key Management (Executive) Personnel

The executive management pay and reward framework has four components:

- Base pay and benefits
- Bonuses
- Post employment benefits
- Share based payments

The combination of these comprises the executive's total remuneration.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There is no guaranteed base pay increases included in any key management employee's contract.

Key management employees receive benefits including car allowances.

Bonuses

Bonuses are paid to individual key management personnel at the discretion of the Chief Executive Officer and the Board of Directors.

Post employment benefits

Post employment benefits representing statutory entitlements are delivered to the superannuation fund of the key management personnel.

Share based payments

Information on the e-pay Asia Limited employee option plan is set out under point "D" below.

B Details of remuneration of Key Management Personnel (audited)

The Key Management Personnel of e-pay Asia Limited (**Company**) includes the Directors listed on pages 3-4.

The Key Management Personnel of the Group are the Directors of e-pay Asia Limited and those identified executives that report directly to the Chief Executive Officer. This includes the group of executives who received the highest remuneration for the year ended 31 December 2010. The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group:

Key Management Personnel of the Group - 2010

2010	Short term benefits (Primary)		Post Employment Benefits	Termination Benefits	Long term benefits (Other)	Share based (Equity)		Total	% Option content of Total
	Fees	Bonus ⁽¹⁾	Superannuation	Cash	Incentive plans	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$		
Executive Directors									
Simon Loh (Chief Executive Officer)	316,031	19,359	23,252	-	-	-	-	358,642	-
Chih Ming Yap (Chief Financial Officer)	167,645	12,567	14,492	-	-	-	-	194,704	-
Non-Executive Directors									
CY Chin (Non-executive Director - appointed on 15 June 2010)	19,500	-	-	-	-	-	-	19,500	-
Jack Tan (Chairman - resigned on 15 June 2010)	37,776	-	3,724	-	-	-	-	41,500	-
Rodney James Huey (Non-executive Director - resigned on 27 May 2010)	13,760	-	1,240	-	-	-	-	15,000	-
Other Key Management Personnel									
Danny Leong (Chief Operating Officer of subsidiary - appointed on 1 July 2010)	61,135	10,189	7,336	-	-	-	-	78,660	-
Eng Sun Sam (Chief Technology Officer)	108,006	17,831	14,020	-	-	-	-	139,857	-
Dato' Hassan (Executive Director of subsidiary)	193,595	11,887	26,696	-	-	-	-	232,178	-
Total	917,448	71,833	90,760	-	-	-	-	1,080,041	-

(1) Specific performance criteria were not used as a guide to determine performance remuneration during the financial year. Such remuneration was determined at the discretion of the Chief Executive Officer and Board of Directors.

Key Management Personnel of the Group - 2009

2009	Short term benefits (Primary)		Post Employment Benefits	Termination Benefits	Long term benefits (Other)	Share based (Equity)		Total	% Option content of Total
	Fees	Bonus ⁽¹⁾	Superannuation	Cash	Incentive plans	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$		
Executive Directors									
Simon Loh (Chief Executive Officer)	202,645	-	14,934	-	-	-	-	217,579	-
Chih Ming Yap (Chief Financial Officer)	138,471	6,550	10,113	-	-	-	-	155,134	-
Non-Executive Directors									
Jack Tan (Chairman)	96,000	-	-	-	-	-	-	96,000	-
Rodney James Huey	36,000	-	-	-	-	-	-	36,000	-
Other Key Management Personnel									
Eng Sun Sam (Chief Technology Officer)	113,534	9,461	13,624	-	-	-	-	136,619	-
Dato' Hassan (Executive Director of subsidiary)	171,028	-	18,340	-	-	-	-	189,368	-
Yin Ching Wong (Executive Director of subsidiary - resigned on 30 November 2009)	120,811	-	14,497	-	-	-	-	135,308	-
Total	878,489	16,011	71,508	-	-	-	-	966,008	-

(1) Specific performance criteria were not used as a guide to determine performance remuneration during the financial year. Such remuneration was determined at the discretion of the Chief Executive Officer and Board of Directors.

Cash bonuses and options

100% of available cash bonuses and options set out in the above tables were paid or vested, and none were forfeited because the person did not meet specified performance criteria.

C Service agreements (audited)

The Company entered into a service agreement with Simon Loh on 17 October 2008, the salient terms are;

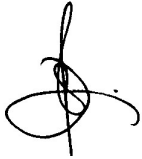
- annual salary of \$176,157 effective 1 January 2009 (inclusive of annual director fee of \$60,000 and excluding company superannuation contribution)
- the agreement can be terminated by either party giving 6 months notice
- subject to annual review, two months prior to the end of each year ending 31 December
- there is no termination payments payable under the contract.

During the year, Simon Loh has received \$335,390 (2009: \$202,645) from the Group.

D Share-based compensation (audited)

No options were provided as remuneration to any director of the Company or any of the Key Management Personnel of the Group for the financial year ended 31 December 2010.

This report has been made in accordance with a resolution of the Board of Directors.



Simon Loh
Chief Executive Officer
Kuala Lumpur, 25 March 2011

E-PAY ASIA LIMITED
ABN 99 089 227 887

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF E-PAY ASIA LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Dated: 25 March 2011

SYDNEY

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Richard Albarran
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Blair Pleash
David Ross
Graham Webb
Domenic Calabretta
Bill Petrovski

ASSOCIATES

Sally Saad
David Ingram
Lyle Vallance

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Corporate Governance Statement

The Board strongly endorses the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX. Having regard to the size and nature of the Company's operations, the Board have adopted the Best Practice Recommendations they consider appropriate for the Company. The Best Practice Recommendations adopted or specific comments thereon are as follows:

Lay solid foundations for management and oversight

The Board is responsible for the Corporate Governance of the Company including setting and the monitoring the objectives, goals and corporate direction of the Company. There are no formal statements as to the delegated authority of management, however the Board closely interacts with the management of the Company, and given the small size of the management team considers this process to be appropriate.

The Board's primary roles are:

- The protection and enhancement of long-term shareholder value
- The overall Corporate Governance of the consolidated entity
- Setting strategic direction, including establishing goals for management and monitoring the achievement of these goals
- Monitoring financial performance, including approval of the annual and half year financial reports and liaison with the company's auditors
- The identification of areas of significant risk and ensuring adequate arrangements are in place to manage these risks
- The establishment of appropriate ethical standards
- The appointment of the Managing Director, evaluating performance and determining remuneration of senior executives as well as ratifying their appointment and removal
- Reviewing of risk management and legal compliance

Structure of the Board to add value

Directors' qualifications and experience are outlined in the Directors' Report.

The e-pay Asia Limited Constitution requires a minimum of three and a maximum of 10 Directors. In addition, at least two of the Directors shall ordinarily reside within Australia. At present the Board consists of two non-executive directors, and two executive directors, including the executive chairman, a total of four directors, two of which are Australian residents. As the Company grows, the structure of the Board will continue to change to reflect the needs of the company. The Company considers the two non-executive director's to be independent.

The Nomination Committee is chaired by an independent non-executive director with other members being an independent non-executive director, an executive director, and the company secretary. The Committee would examine the process of selection of any candidate to ensure he/she possesses appropriate expertise and experience meeting the needs of the Company. The Board then appoints the most suitable person who shall hold office, until the conclusion of the following annual general meeting of the Company and shall be eligible for election at such annual general meeting.

The e-pay Asia Limited Constitution states that one-third of our Directors must retire each year. The maximum time that each Director can serve in any single term is three years. Any Director who has been appointed during the year must retire at the next annual general meeting. Eligible Directors who retire each year may offer themselves for re-election by shareholders at the next annual general meeting. The Board has no limit on the number of terms of office which any Director may serve.

Each director has the right to seek independent professional advice regarding material matters concerning the Company, at the Company's expense, after notifying the Chairman.

Ethical and Responsible Decision-Making

The Company has established a formal Code of Conduct that expresses certain basic principles that e-pay Asia Limited, its directors, its employees and external consultants should follow in all dealings related to e-pay Asia Limited and obligations to legitimate stakeholders. The Code also sets out the standards to which each director will adhere whilst conducting their duties. Full details are available on the Company's web site.

All employees are responsible for e-pay Asia Limited achieving the highest levels of business conduct.

The Company has a formal policy concerning trading in its securities by persons whose positions expose or are likely to expose them to information regarding the e-pay Asia Group, being:

- the Board;
- the Chief Executive Officer of e-pay Asia Limited;
- the Executive Assistant to the Chief Executive Officer, the Chief Financial Officer/Financial Controller/Finance Director;
- any Senior Management who are discharging managerial responsibilities, or Consultant to e-pay Asia Limited and/or any of its subsidiaries, who may be exposed to Inside Information in the course of their duties.

These parties (collectively called "Restricted Personnel" for the purposes of this policy) are subject to restrictions on trading in e-pay Asia Limited securities other than at certain specific time frame within a year, i.e. the trading is only allowable during the open trading window within the calendar year.

Full details are available on the Company's web site.

Safeguard Integrity in Financial Reporting

As at the date of this report, the Company has a formally constituted Audit Committee consisting of two non-executive directors. This complies with ASX Corporate Governance Principal Four except that due to the size of the Board it only consists of two and not three non-executive directors as recommended. Details of the names and qualification of those appointed to the committee and the number of meetings held and attended by the members is outlined in the Directors' Report.

The responsibilities of the audit committee include:

- reviewing the financial report and other financial information distributed externally
- reviewing any accounting policies to ensure compliance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements
- reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified, appropriate and prompt remedial action is taken by management
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner
- monitoring the establishment of an appropriate internal control framework and considering enhancements
- monitoring the establishment of appropriate ethical standards
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions
- reviewing reports on any major defalcations, frauds and thefts from the Company
- improving the quality of the accounting function

Make Timely and Balanced Disclosure

The Board, through its continuous disclosure, the maintenance of its web site, distribution of the half-year and annual report to all shareholders and the holding of an annual shareholders meeting where shareholders are encouraged to participate, strives to keep shareholders fully informed of developments within the Company, in a cost effective manner.

Shareholders' Rights

The Company has established a formal shareholder communications strategy. Full details are available on the Company's web site.

Recognise and Manage Risk

The Company has adopted formal risk management profiles, policies and procedures. These policies have been established to ensure that e-pay Asia Limited implements a comprehensive system of risk identification, assessment and management. The risk management system forms an integral part of the Company's structure and is designed to identify, assess, monitor and manage risk, and inform investors of major risks faced by e-pay Asia Limited and any significant changes to those risks. The Board requires declarations by the chief executive officer and the chief financial officer in accordance with section 295A of the Corporations Act. e-pay Asia Limited has a formal Board Risk Oversight Committee and complies with the ASX recommendation.

Remunerate fairly and responsibly

Directors' Emoluments are outlined in the Directors' Report. e-pay Asia Limited has Board Remuneration Committee and complies with ASX recommendations on this issue.

Remuneration levels, including participation in the Company's Share Option Scheme, are set to provide reasonable compensation in line with the Company's financial resources. In accordance with Corporations Act requirements, the Company discloses the remuneration paid to all Directors, plus Executive Officers. The Company has an Employee Share Option Plan that was introduced at the time the Company listed on ASX.

The Board has not adopted formal Performance Enhancement procedures, as the Board undertakes ongoing performance reviews as part of its regular review of Company activities.

The only retirement benefits payable to non-executive directors are statutory superannuation payments.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Statement of Comprehensive Income
for year ended 31 December 2010

	Note	CONSOLIDATED GROUP	
		2010	2009
		\$	\$
Revenue	3	10,763,292	10,314,299
Other income	3	105,173	113,168
Employee benefits expense		(3,540,599)	(3,378,787)
Advertising and marketing promotions		(1,174,463)	(427,947)
Accommodation and travelling expenses		(189,561)	(265,319)
Telephone and utility charges		(457,676)	(465,749)
Professional and consultancy fees		(200,919)	(444,281)
Operating lease rentals		(194,325)	(160,666)
Terminal installation and maintenance fees		(198,200)	(179,865)
Other operating expenses		(755,805)	(1,056,917)
Profit before finance costs, depreciation and amortisation, impairment losses and income tax		4,156,917	4,047,936
Finance costs		(194,676)	(667,123)
Impairment of plant and equipment		(52,417)	(2,916)
Depreciation and amortisation expenses	4	(852,291)	(1,128,555)
Profit before income tax		3,057,533	2,249,342
Income tax expense	5	(123,968)	(81,186)
Profit for the year	4	2,933,565	2,168,156
Other comprehensive income after income tax:			
Exchange differences on translating foreign controlled entities		(418,877)	(2,474,802)
Net gain on revaluation of financial assets		-	59,036
Other comprehensive loss for the year, net of tax		(418,877)	(2,415,766)
Total comprehensive income/ (loss) for the year		2,514,688	(247,610)
Profit attributable to:			
Members of the parent entity		1,763,228	836,284
Non-controlling interests		1,170,337	1,331,872
		2,933,565	2,168,156
Total comprehensive income/ (loss) attributable to:			
Members of the parent entity		1,500,588	(626,332)
Non-controlling interests		1,014,100	378,722
		2,514,688	(247,610)
Earnings per share:			
Basic earnings per share (cents)	27	4.67	2.97
Diluted earnings per share (cents)	27	4.67	2.97

The accompanying notes form part of these financial statements.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Statement of Financial Position as at 31 December 2010

	Note	CONSOLIDATED GROUP	
		2010	2009
		\$	\$
Current Assets			
Cash and cash equivalents	7	12,211,750	7,723,220
Trade and other receivables	8	3,276,806	2,386,908
Prepaid airtime top-ups	1 (j)	15,062,333	12,845,812
Others current assets	9	54,632	83,372
Total Current Assets		30,605,521	23,039,312
Non-Current Assets			
Plant and equipment	10	1,039,395	1,147,988
Intangible assets	11	58,341	142,358
Financial assets	14	25,696	136,992
Total Non-Current Assets		1,123,432	1,427,338
Total Assets		31,728,953	24,466,650
Current Liabilities			
Trade and other payables	15	12,462,135	7,221,783
Borrowings	18	3,861,967	6,869,100
Current tax liabilities	16	-	220
Short term provisions	17	-	53,093
Total Current Liabilities		16,324,102	14,144,196
Non-Current Liabilities			
Deferred tax liabilities	16	115,056	70,327
Borrowings	18	79,004	-
Total Non-Current Liabilities		194,060	70,327
Total Liabilities		16,518,162	14,214,523
Net Assets		15,210,791	10,252,127
Equity			
Issued capital	19	14,607,663	12,163,687
Reserves	20	587,826	786,159
Retained losses		(4,918,506)	(6,617,427)
Parent interest		10,276,983	6,332,419
Non-controlling interests		4,933,808	3,919,708
Total equity		15,210,791	10,252,127

The accompanying notes form part of these financial statements.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Statement of Changes in Equity for the year ended 31 December 2010

Consolidated

	Share Capital								Total
	Ordinary shares	Equity contribution	Conversion rights on convertible notes	Retained Losses	Options Reserve	Financial Assets Reserve	Non-controlling Interests	Foreign Currency Translation Reserve	
	\$	\$	\$	\$	\$	\$	\$	\$	
Balance at 1 January 2009	11,574,387	451,000	138,300	(7,453,711)	1,535,374	(123,343)	4,137,766	836,744	11,096,517
Profit attributable to members of the parent entity	-	-	-	836,284	-	-	-	-	836,284
Profit attributable to non-controlling interest	-	-	-	-	-	-	1,331,872	-	1,331,872
Non-controlling interest share of prior year dividend paid	-	-	-	-	-	-	(596,780)	-	(596,780)
Total other comprehensive income for the year	-	-	-	-	-	59,036	(953,150)	(1,521,652)	(2,415,766)
Balance at 31 December 2009	11,574,387	451,000	138,300	(6,617,427)	1,535,374	(64,307)	3,919,708	(684,908)	10,252,127
Balance at 1 January 2010	11,574,387	451,000	138,300	(6,617,427)	1,535,374	(64,307)	3,919,708	(684,908)	10,252,127
Ordinary shares issued	2,621,864	-	-	-	-	-	-	-	2,621,864
Shares issue expenses	(177,888)	-	-	-	-	-	-	-	(177,888)
Profit attributable to members of the parent entity	-	-	-	1,763,228	-	-	-	-	1,763,228
Profit attributable to non-controlling interest	-	-	-	-	-	-	1,170,337	-	1,170,337
Transfer to retained losses from financial assets reserve	-	-	-	(64,307)	-	64,307	-	-	-
Total other comprehensive loss for the year	-	-	-	-	-	-	(156,237)	(262,640)	(418,877)
Balance at 31 December 2010	14,018,363	451,000	138,300	(4,918,506)	1,535,374	-	4,933,808	(947,548)	15,210,791

The accompanying notes form part of these financial statements.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Statement of Cash Flows for the year ended 31 December 2010

	Note	CONSOLIDATED GROUP	
		2010	2009
		\$	\$
Cash flows from operating activities			
Receipts from customers		609,892,288	621,423,938
Payments to suppliers and employees		(603,878,188)	(615,144,694)
Interest received		149,989	175,798
Finance costs		(177,705)	(397,269)
Income tax paid		(76,711)	(93,745)
Net cash provided by operating activities	22 (b)	5,909,673	5,964,028
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		1,359	7,737
Payments for plant and equipment		(609,519)	(86,064)
Payments for software		(3,070)	(95,051)
Proceeds from disposal of financial assets		148,838	-
Payments for investment in quoted shares		-	(22,969)
Net cash used in investing activities		(462,392)	(196,347)
Cash flows from financing activities			
Proceeds from issuance of shares		2,383,976	-
Repayments of borrowings		(3,056,759)	(7,404,306)
Dividends paid by controlled entity to outside equity interests		-	(596,780)
Net cash used in financing activities		(672,783)	(8,001,086)
Net increase/ (decrease) in cash held		4,774,498	(2,233,405)
Cash at beginning of financial year		7,723,220	11,994,673
Effect of exchange rates on cash holdings in foreign currencies		(285,968)	(2,038,048)
Cash and cash equivalents at end of financial year	7	12,211,750	7,723,220

The accompanying notes form part of these financial statements.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Note 1. Statement of Significant Accounting Policies

The financial report includes the consolidated financial statements and notes of e-pay Asia Limited and controlled entities.

Basis of Preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report was authorised for issue by the directors on 25 March 2011.

a. Principles of Consolidation

A controlled entity is any entity over which e-pay Asia Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 29 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidation financial statements as well as their results for the year then ended. Where controlled entities have entered or left the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the Statement of Financial Position and in the Statement of Comprehensive Income.

The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Investment in Associates

Associates are all entities in which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the financial statements using the equity method of accounting, after initially being recognised at cost.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent Company's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses (or impairment write-downs) in an associate equals or exceeds its interest in the associate, including any other long-term receivables that in substance form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

b. Revenue Recognition

Airtime commission revenue

Airtime commission revenue is recognised upon the provision of vouchers and on-line top-ups bearing prepaid airtime PINS to end user customers.

Software solutions

Revenue from software solutions comprises software licence fees, professional service fees for installation and customisation, and ongoing software maintenance fees.

Revenue from the development of customised software is recognised as revenue by reference to the stage of completion of the development. Revenue from multiple-element software arrangements is allocated to each element based on the relative fair values of those elements.

Revenue from software licensing agreements is recognised over the contract term using the stage of completion method. When the licence granted is perpetual and the Company has no further obligations, the licence is recognised as revenue at the time of sale.

Interest income

Interest income is recognised on a time proportional basis using the effective interest rate method.

Dividends

Dividends are recognised as revenue when the right to receive the payment is established.

c. Taxes

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognised of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by same taxation authority on either the same taxable entity of different taxable entities where it is intended that net settlement of simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

e-pay Asia Limited and its wholly-owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation consolidation legislation. The Group notified the Australian Tax Office that it had formed an income tax consolidation group to apply from 1 July 2003. e-pay Asia Limited, as the head entity in the Australian tax consolidation group, recognises current tax amounts and deferred tax originating from available tax losses of its Australian subsidiaries, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing and a tax funding agreement with the tax consolidated entities are recognised as intercompany balances.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

d. Foreign Currency Translation and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate and exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

f. Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, unless it is a combination involving entities or businesses under common control, are accounted for by applying the acquisition method.

The acquisition method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that a control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

All transaction costs incurred in relation to the business combination are expensed in the statement of comprehensive income.

g. Impairment of assets

At each reporting date, the Group assesses the carrying amount of tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset (being the higher of the asset's fair value less cost to sell and value in use) is compared to the asset's carrying value.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that have an assessed finite useful life are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is expensed in the statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and these cash flows are discounted using the weighted average cost of capital.

h. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the statement of financial position.

i. Trade and other receivables

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment. Trade receivables are due for settlement no more than 21 days from the date of recognition.

Collectability is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised where some doubt as to collectability exists. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

j. Prepaid airtime top-ups

Prepaid airtime top-ups (comprising vouchers and prepaid airtime PINS) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

k. Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of equipment comprises their purchase cost and any incidental costs of acquisition.

Depreciation of equipment is calculated to write off the cost of each asset on a straight line basis over the estimated useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

EDC terminals	20%
Office equipment	20%
Computer Hardware	33 ¹ / ₃ %
Furniture and fittings	20%
Motor vehicles	20%

At each financial reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy note on "impairment of assets".

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is recognised as a separate item of property, plant and equipment, and depreciated over the remaining useful life of the asset.

l. Financial assets

Financial assets are recognised when the entity becomes a party to the contractual provisions to the financial asset, equivalent to the date that the company commits itself to either the purchase or sale of the asset.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments or financial assets were acquired. Management determines the classification of its investments at initial recognition.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the financial reporting date which are classified as non-current assets.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial reporting date.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity in the available-for-sale investment revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and pricing models to reflect the issuer's specific circumstances.

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss) is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

m. Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Research and Development

Research expenditure is recognised as an expense as incurred. Costs incurred on software development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised developments costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

n. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at the fair value of what is expected to be paid, and subsequently at amortised cost.

o. Financial liabilities

The Group classifies borrowings as its financial liabilities. Borrowings are recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised as a finance charge in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial reporting date.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

q. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits and is measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further obligations in respect of these plans.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Share based payments

The Group provides benefits to selected employees in the form of an Employee Option Plan. The relevant employees are deemed to provide services to the Group in exchange for Options. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date that they are granted. The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the term of the performance rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance rights, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights. The fair value of the share based payment is recognised over the relevant vesting period as an expense, with a corresponding increase in equity.

r. Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at financial reporting date.

s. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

t. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

u. Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 2. Critical Accounting estimates and judgements

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. There were no critical judgments. Key estimates are discussed below.

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations which incorporate a number of key estimates and assumptions.

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Notes to the Financial Statements for the year ended 31 December 2010

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8: Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

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- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010). AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Note 3. Revenue

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Revenue:		
Airtime commission revenue	10,382,700	9,871,398
Software sales revenue	70,847	39,573
Interest income	149,989	175,799
Other revenue	159,756	227,529
	10,763,292	10,314,299
Other income:		
Gain on foreign currency translation	64,090	92,333
Gain on disposal of plant and equipment	1,359	-
Gain on disposal of financial assets	38,145	-
Sundry income	1,579	20,835
	105,173	113,168

Note 4. Profit for the year

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
(a) Gains		
Gain on disposal of plant and equipment	1,359	-
Gain on disposal of financial assets	38,145	-
(b) Expenses		
Depreciation and amortisation:		
Depreciation of:		
- Plant and equipment	763,405	1,008,881
Total depreciation	763,405	1,008,881
Amortisation of:		
- Software	67,658	108,302
- Other intangibles assets	21,228	11,372
Total amortisation	88,886	119,674
Total depreciation and amortisation	852,291	1,128,555
Provision for impairment of trade receivables	68,731	53,094
Bad debts of trade receivables written off	4,424	-
Impairment of plant and equipment	52,417	13,309
Operating lease rental-minimum lease payments	194,325	160,666
Finance costs	194,676	667,123
Loss on disposal of plant and equipment	-	3,286

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Notes to the Financial Statements for the year ended 31 December 2010

Note 5. Income Tax Expense

The component of tax expense comprises:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Malaysian tax	123,968	81,186
Income tax expense	123,968	81,186

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Profit before income tax	3,057,533	2,249,342
Prima facie tax expense/ (benefit) on (loss)/profit from ordinary activities before income tax at 30% (2009: 30%)	917,260	674,803
Tax effect of:		
- Non deductible expenses	136,663	245,947
- Tax-exempt pioneer income and tax rate differentials (a)	(1,081,952)	(1,141,259)
- Difference in tax rate of overseas controlled entities	(147,848)	(16,237)
- Underprovision of deferred taxation in previous financial year	212,275	-
- Tax effect of temporary differences and tax losses not brought to account (b)	87,570	317,932
Total income tax expense attributable to operating profit	123,968	81,186

The applicable weighted average effective tax rates are as follows:

4.1%	3.6%
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- (a) e-pay (M) Sdn Bhd, a controlled entity in Malaysia was granted a five years pioneer status under section 4A of the Promotion of Investments (Amendment) Act 1997 with effect from 15 August 2001, with a option for extension for a further five years. The option for extension was approved, providing the Company with continued pioneer status until 15 August 2011. Under the pioneer status, all value-added income of the company is tax exempted.

Mobiepay Sdn Bhd was also granted a 5-year pioneer status under Section 4A of the Promotion of Investments (Amendment) Act 1997 with effect from 7 December 2006. Under the pioneer status, all value-added income of this company is also tax exempted.

- (b) Benefit of income tax losses not brought to account.

As at 31 December 2010, the Australian consolidated group has estimated unrecouped income tax losses available totalling \$7,362,537 to offset against future taxable income. The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- (i) the Australian consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions of deductibility imposed by the law;
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Note 6. Dividends

No dividends were paid or declared since the start of financial year. No recommendation for payment of dividends has been made.

Note 7. Cash and cash equivalents

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Cash at bank and on hand	12,211,750	7,723,220

Average rate of interest earned on cash and cash equivalents during the year for the Group was 3.10% (2009: 1.60%).

Term deposits have maturity periods ranging between 30 to 365 days. Term deposits of \$4,460,430 (2009: \$5,100,027) is pledged to the Group's bankers as security for credit facilities granted to the Group.

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Reconciliation of cash		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank and on hand	5,891,298	2,402,190
Term deposits	6,320,452	5,321,030
Total cash and cash equivalents in statement of cash flows	12,211,750	7,723,220

Note 8. Trade and other receivables

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Current		
Trade receivables (a)	3,684,560	2,700,146
Provision for impairment (b)	(458,861)	(393,406)
	<u>3,225,699</u>	<u>2,306,740</u>
Amount receivable from:		
- Other unrelated persons	49,450	80,168
- Income tax refundable	1,657	-
Total current receivables	3,276,806	2,386,908

- (a) The average credit period ranges from 3 to 30 days. No interest is charged on the trade receivables. The Group has provided fully for all receivables that are not considered recoverable. Trade receivables exceeding 21 days are considered for provision based on estimated irrecoverable amounts from the sale of airtime, determined by reference to past default experience.

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Notes to the Financial Statements for the year ended 31 December 2010

(b) Movement in provision for impairment of receivables

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Balance at beginning of the year	393,406	474,535
Amount written off during the year	(17,434)	-
Increase in allowance recognised in statement of comprehensive income for the year	68,731	53,094
Foreign currency translation	14,158	(134,223)
Balance at end of the year	458,861	393,406

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The table below details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered as past due when the debt has not been settled with the terms and conditions agreed between the Group and the customer to the transaction.

Consolidated Group	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
2010							
Trade receivables	3,684,560	458,861	-	-	-	-	3,225,699
Other receivables	51,107	-	-	-	-	-	51,107
Total	3,735,667	458,861	-	-	-	-	3,276,806
2009							
Trade receivables	2,700,146	393,406	-	-	-	-	2,306,740
Other receivables	80,168	-	-	-	-	-	80,168
Total	2,780,314	393,406	-	-	-	-	2,386,908

(c) The foreign currency exposure profile of receivables is as follows:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Malaysian Ringgit	3,269,869	2,306,740

Note 9. Other Current Assets

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Deposits	48,407	42,375
Prepayments	6,225	40,997
Total other current assets	54,632	83,372

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Note 10. Plant and Equipment

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Plant and equipment		
At Cost		
Opening balance	3,582,103	5,536,295
Additions	728,393	86,064
Disposals	(278,375)	(442,920)
Impairment	(52,417)	(13,309)
Foreign currency translation	(152,483)	(1,584,027)
Closing balance	3,827,221	3,582,103
Accumulated depreciation and impairment		
Opening balance	2,434,115	3,015,646
Depreciation for the year (Note 4b)	763,405	1,008,881
Depreciation write back on disposals	(278,375)	(442,920)
Foreign currency translation	(131,319)	(1,147,492)
Closing balance	2,787,826	2,434,115
Net book value	1,039,395	1,147,988
Total plant and equipment, net	1,039,395	1,147,988

Note 11. Intangible assets

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Assigned rights, titles and interest:		
At cost	81,775	81,775
Accumulated amortisation	(81,775)	(61,331)
	-	20,444
Software:		
At cost	550,763	560,731
Accumulated amortisation	(492,422)	(438,817)
	58,341	121,914
Total intangibles	58,341	142,358

Movements

Assigned rights, title and interest		
Balance at the beginning of year	20,444	39,066
Amortisation charged to Statement of Comprehensive Income (Note 4b)	(21,228)	(11,372)
Foreign currency translation	784	(7,250)
Balance at end of year	-	20,444
Software		
Balance at the beginning of year	121,914	158,240
Additions during the year	3,070	95,051
Amortisation charged to Statement of Comprehensive Income (Note 4b)	(67,658)	(108,302)
Foreign currency translation	1,015	(23,075)
Balance at end of year	58,341	121,914

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Notes to the Financial Statements for the year ended 31 December 2010

Note 12. Investments accounted for using the equity method

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Associates companies (Note 13)	-	-
Investment	-	-

Note 13. Associated companies

Carrying amounts

Name	Principal Activities	Country of Incorporation	Carrying Amount		Ownership Interest	
			31 December 2010	31 December 2009	31 December 2010	31 December 2009
			\$	\$	%	%
e-pay Pakistan (Private) Limited	Sales and provision of vouchers bearing prepaid airtime personal identification numbers (PINS) and on-line top-ups for various prepaid services in Pakistan.	Pakistan	-	-	30	30
Electronic Payment Network (Thailand) Co. Ltd.	Sales and provision of vouchers bearing prepaid airtime personal identification numbers (PINS) and on-line top-ups for various prepaid services in Thailand.	Thailand	-	-	10	18

The investments in associated companies have been written down to Nil as the accumulated shares of post-acquisition losses exceed the cost of investment.

Note 14. Financial assets (Non-current)

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Available-for-sale Financial Asset comprises:		
Listed investments, at fair value	25,696	136,992
Movement:		
At the beginning of year	136,992	51,656
Additions during the year	-	23,306
Disposals during the year	(110,692)	-
Movement in fair value	-	59,036
Foreign currency translation	(604)	2,994
At the end of year	25,696	136,992

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Notes to the Financial Statements for the year ended 31 December 2010

Note 15. Trade and other payables (Current)

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Unsecured liabilities		
Security and terminal deposits from customers	1,308,013	1,262,346
Trade payables	6,220,835	491,066
Sundry payables and accrued expenses	4,497,294	5,026,821
Amount payable to:		
Other related parties (Note 23F)	74,993	80,550
Borrowing cost accrual	361,000	361,000
Total current payables	12,462,135	7,221,783

The credit period for the majority of operating expenditure ranges from 5 to 90 days. No interest is charged. The Group has policies in place to ensure payables are paid within the credit periods.

The foreign currency exposure profile of payables (expressed in AUD \$) is as follows:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Malaysian Ringgit	11,979,737	6,412,589
Indonesia Rupiah	74,993	88,550
Thai Baht	11,384	11,719

Note 16. Tax

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Liabilities (current)		
Income Tax	-	220
Total current tax liabilities	-	220
Liabilities (non-current)		
Deferred tax liability comprises:		
Tax allowances relating to plant and equipment	115,056	162,009
Provision for doubtful debts	-	(91,682)
Total non-current tax liabilities	115,056	70,327

Note 17. Provisions

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Provisions (Current)		
Onerous lease provision	-	53,093
Total current provisions	-	53,093

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The onerous lease provision relates to the operating lease of the Australian head-offices premises and an associated fit-out lease. Given the directors intention to divest from its Australian businesses and the resultant significant reduction in employee numbers at the 2005 year-end, the head-office premises were not fully occupied and were considered to be far in excess of the ongoing business needs. On this basis, a provision was raised at 31 December 2005 in respect of the excessive portion of the future obligations under the leases.

Movement

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Opening balance beginning of the year	53,093	119,060
Provision utilised during the year	(53,093)	(65,967)
Closing balance end of the year	-	53,093

Note 18. Borrowings

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Financial liabilities - Interest bearing (Current)		
Secured		
Bank loans	3,835,200	6,869,100
Hire purchase (Note 21b)	26,767	-
Total current interest bearing liabilities	3,861,967	6,869,100
Financial liabilities - Interest bearing (Non-current)		
Secured		
Hire purchase (Note 21b)	79,004	-
Total current interest bearing liabilities	79,004	-

The Bank loans at 31 December 2010 and 31 December 2009 are made up as follows:

Current		
Bank acceptances	1,598,000	4,579,400
Trade Loans	2,237,200	2,289,700
	3,835,200	6,869,100

The unused amount of the bank loans at financial reporting date is as follows:

Banker acceptances		
- Approved limit	3,196,000	7,850,400
- Drawn down amount at financial reporting	(1,598,000)	(4,579,400)
Unused at financial reporting	1,598,000	3,271,000
Trade Loans		
- Approved limit	3,729,732	2,469,605
- Drawn down amount at financial reporting	(2,237,200)	(2,289,700)
Unused at financial reporting	1,492,532	179,905

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Notes to the Financial Statements for the year ended 31 December 2010

The weighted average annual interest rates at financial reporting date in respect of the above borrowings are as follows:

	2010	2009
	%	%
Bankers acceptances	3.93	3.15
Trade loans	3.93	3.07

Security pledged

The bank loans facilities are secured by way of:

- (i) term deposits of the Group amounting to \$1,899,892 (2009 : \$4,981,079)
- (ii) a corporate guarantee and indemnity for \$10,546,800 by the parent entity (2009: \$17,663,400).

The covenants within the bank borrowings require gearing shall not exceed a factor of 2.0 at any time and not to declare a dividend more than 40% of post tax profit at any time without first obtaining written consent from the financial institution. Gearing is defined as total bank borrowings less fixed deposit held under lien as security for facilities granted by financial institutions over shareholders funds.

As at 31 December 2009, included in the trade loans is an amount of loan \$2,289,700 under which the controlled entity declared a dividend to its shareholders of 40.84%. This is in excess of the 40% covenant disclosed above. During the year ended 31 December 2010, these trade loans had been fully repaid and new trade loan taken out with similar terms and conditions. The controlled entity did not pay or declare a dividend during the 2010 financial year. In addition, the controlled entity's banker had taken no action and continues to provide the controlled entity with the loan facility.

Note 19. Issued Capital

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Ordinary shares	14,018,363	11,574,387
Shareholder equity contribution	451,000	451,000
Value of conversion rights on convertible notes	138,300	138,300
Total Issued Capital	14,607,663	12,163,687

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movements in issued ordinary shares for the financial year

	31 December 2010		31 December 2009	
	No. of shares	Consolidated	No. of shares	Consolidated
		\$		\$
Opening balance	28,165,160	11,574,387	281,656,343	11,574,387
Ordinary shares issued (net of cost)	28,765,160	2,443,976	-	-
Share consolidation	-	-	(253,491,183)	-
Closing balance	56,930,320	14,018,363	28,165,160	11,574,387

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Movements in Ordinary Share Capital

		No. of shares	Ordinary Shares \$
01/01/2010	Opening balance	28,165,160	11,574,387
05/03/2010	Liability settled by issue of shares	300,000	60,000
01/09/2010	Rights issue (net of cost)	28,465,160	2,383,976
31/12/2010	Balance 31 December	56,930,320	14,018,363

On 5th March 2010, the Company issued 300,000 shares at an issue price at \$0.20 per share being the part payment for invoiced services by a consultant.

On 1st September 2010, the Company issued a renounceable rights issue on the basis of 1 new fully paid ordinary shares for every 1 existing fully paid share held by shareholders of the Company with registered addresses in Australia, New Zealand and Hong Kong at an issue price at \$0.09 per share.

Shares issued on the exercise of options

No ordinary shares of e-pay Asia Limited were issued during the financial year ended 31 December 2010 (2009: NIL) on the exercise of options granted by e-pay Asia Limited.

Standby equity distribution agreement

A standby equity distribution agreement was entered into between the Company and Cornell Capital Partners Offshore LP dated 11 November 2004 under which Cornell Capital Partners Offshore LP may be required at any time during a period of twenty four months commencing on admission onto the AIM in the United Kingdom, and subject to the satisfaction of various conditions, at the election of the Company by serving an advance notice, to subscribe for Ordinary Shares at a price of ninety four per cent of the lowest closing bid price of the Ordinary Shares on AIM during the five consecutive trading day period following the election of the Company. The commitment limit of Cornell Capital Partners Offshore LP under this facility agreement is a total aggregate subscription amount of £6,000,000, with a maximum amount in any nine day trading period of £350,000 or the remaining unsubscribed amount under the facility (whichever is lower) and a maximum holding at any time of 2.99% of the entire issued ordinary share capital of the Company.

No subscriptions under this agreement can be made until the secured loans from Cornell Capital Partners Offshore LP are repaid in full.

This standby equity distribution agreement was extended until 28 February 2010.

The Company delisted from AIM on 30 September 2008

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio not exceeding 2.0 at any time. The gearing ratio for the year ended 31 December 2010 and 31 December 2009 are as follows:

	Note	CONSOLIDATED GROUP	
		2010	2009
		\$	\$
Total borrowings and payables	15, 18	16,403,106	14,090,883
Less: Cash and cash equivalents	7	(12,211,750)	(7,723,220)
Net borrowings and payables		4,191,356	6,367,663
Total equity		15,210,791	10,252,127
Total capital		19,402,147	16,619,790
Gearing ratio		22%	38%

Note 20. Reserves

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(b) Options Reserve

The options reserve records items recognised as expenses on vesting of employee share options, and options issued in connection with financing arrangements.

(c) Financial Assets Reserve

The financial assets reserve records revaluation of equities, classified as available-for-sale financial assets are taken to the financial assets reserve.

Note 21. Commitments

(a) Operating lease expenditure contracted for is payable as follows:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Not later than one year	81,450	159,977
Later than one year and not later than five years	92,523	19,103
	173,973	179,080

Operating leases are entered into as a means of acquiring access to office facilities. Rental payments are fixed. No operating leases contain restrictions on financing or other leasing activities.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

(b) Hire purchase commitments

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
	<hr/>	<hr/>
Minimum hire purchase and lease payments		
- not later than one year	32,154	-
- later than one year and not later than five years	86,047	-
	<hr/>	<hr/>
	118,201	-
Future finance charges	(12,430)	-
Present value of hire purchase and lease payables	<hr/> 105,771 <hr/>	<hr/> - <hr/>
Current:		
- not later than one year	26,767	-
Non-current		
- later than one year and not later than five years	79,004	-
	<hr/> 105,771 <hr/>	<hr/> - <hr/>

The hire purchase was subject to an effective interest rate at the financial reporting date of 3.03% (2009: NIL) per annum.

Net book value of plant and equipment acquired under hire purchase is \$147,031 (2009: \$NIL).

Note 22. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position in Note 7.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

(b) Reconciliation of cash flow from operations with profit after income tax

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Profit after income tax	2,933,565	2,168,156
Non cash flows in profit:		
- Depreciation and amortisation	852,291	1,128,555
- Provision for impairment of trade receivables	68,731	53,094
- (Gain)/ Loss on disposal of plant and equipment	(1,359)	3,286
- (Gain) on disposal of financial assets	(38,145)	-
- Impairment of plant and equipment	52,417	2,621
- Non-cash in issuance of shares	60,000	-
- Amortisation of borrowing cost	-	304,526
- Foreign exchange differences	-	(42,578)
- Other reconciling items	9,555	(3,328)
Changes in assets and liabilities:		
Increase/ (Decrease) in liabilities:		
- Trade and other payables	5,699,639	2,686,064
- Current tax liabilities	(1,990)	(12,559)
- Deferred tax liabilities	49,247	-
- Provisions	(59,565)	(35,797)
(Increase)/ Decrease in assets:		
- Trade and other receivables	(812,191)	907,875
- Prepaid airtime top-ups	(2,902,522)	(1,195,885)
Cash flows from operations	5,909,673	5,964,028

(c) Acquisition of Controlled entities

During the year, a 100% ownership interest of First Remittance Sdn. Bhd. was acquired. Details of the transaction are:

Purchase consideration consisting of cash consideration	32	-
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(d) Disposal of controlled entities

There were no disposals of controlled entities in the 2010 or 2009 financial year.

(e) Non cash financing and investing activity

(i) Share issue 300,000 shares at an issue price of \$0.20 per share being part payment for invoiced services by a consultant.	60,000	-
(iii) During the year, the consolidated group acquired plant and equipment with an aggregate value of \$118,874 (2009: \$NIL) by means of hire purchase. These acquisitions are not reflected in the statement of cash flows.	118,874	-
	178,874	-

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Note 23. Related Party Disclosures

A) Key Management Personnel Disclosures

(i) The following persons were directors of e-pay Asia Limited during the financial year:

Chairman - executive

Simon Loh

Executive director

Chih Ming Yap

Non-executive directors

CY Chin (Appointed on 15 June 2010)

Jack Tan (Resigned on 15 June 2010)

James Huey (Resigned on 27 May 2010)

(ii) Other Key Executives

Eng Sun Sam, Chief Technology Officer

Dato' Hassan, Non-executive Director of subsidiary

Danny Leong, Chief Operating Officer of subsidiary (Appointed on 1 July 2010)

B) Key management personnel compensation policy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework provides for a mix of fixed and variable pay.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. The fees paid to non-executive directors are inclusive of committee fees.

Non-executive directors' fees and payments are reviewed annually by the Board and comprise a fixed pay component only.

Key Management (Executive) Personnel

The executive management pay and reward framework has four components

- Base pay and benefits
- Bonuses
- Post employment benefits
- Share based payments

The combination of these comprises the executive's total remuneration.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There is no guaranteed base pay increases included in any key management employee's contract.

Key management employees receive benefits including car allowances.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Bonuses

Bonuses are paid to individual key management personnel at the discretion of the Chief Operating Officer and the Board of Directors.

Post employment benefits

Post employment benefits representing statutory entitlements are delivered to the superannuation fund of the key management personnel.

C) Key management personnel compensation

The aggregate compensation made to the key management personnel of the Group is set out below:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Short term	989,281	894,500
Post employment	90,760	71,508
Termination benefits	-	-
Total	1,080,041	966,008

Key management personnel remuneration has been included in the Remuneration Report contain in the Directors Report.

D) Shareholdings

The numbers of shares held during the financial year by each key management person of the consolidated entity, including their personally related entities are set out below:

2010				
Name	Balance at start of year	Bought during the year	Other changes during the year	Balance at Year-end
Simon Loh	12,125,999	22,944,605	-	35,070,604
Chih Ming Yap	206,923	769,780	-	976,703
CY Chin	-	100,000	-	100,000
Jack Tan	39,336	-	-	39,336
James Huey	30,000	-	-	30,000
Dato' Hassan	2,128,475	2,128,586	-	4,257,061
Eng Sun Sam	23,708	-	-	23,708
Danny Leong	-	423,524	-	423,524
Total	14,554,441	26,366,495	-	40,920,936

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

2009

Name	Balance at start of year	On exercise of options	Other changes during the year	Share Consolidation	Balance at Year-end
Yin Ching Wong	9,821,000	-	(456,050)	(8,838,900)	526,050
Chih Ming Yap	469,230	-	160,000	(422,307)	206,923
Simon Loh	116,294,994	-	496,500	(104,665,495)	12,125,999
Jack Tan	393,361	-	-	(354,025)	39,336
James Huey	300,000	-	-	(270,000)	30,000
Dato' Hassan	21,284,750	-	-	(19,156,275)	2,128,475
Eng Sun Sam	237,085	-	-	(213,377)	23,708
Total	148,800,420	-	200,450	(133,920,379)	15,080,491

E) Transactions with key management personnel

The following transactions occurred between subsidiaries of the Company and related entities of key management personnel:

i) Amount owing to related parties of key management personnel:

	2010 \$	2009 \$
Current:		
- Orion Gateway Sdn Bhd	74,993	80,550
- e-pay Gateway Sdn Bhd	-	3,283
	74,993	83,833

Related Party of key management personnel	Relationship
Orion Gateway Sdn Bhd ("OGSB")	Company in which Simon Loh has substantial financial interests
Telemas Corporation Sdn Bhd ("TCSB")	Company in which Simon Loh has substantial financial interests
e-pay Gateway Sdn Bhd ("EPG")	Company in which Simon Loh and Dato' Hassan have substantial financial interests

ii) Other transactions with related parties of key management personnel.

These transactions have been entered into under terms that were mutually agreed between the parties.

	2010 \$	2009 \$
Expenses charged to the statement of comprehensive income:		
- transaction fees to EPG	359	7,491
- rental paid to TCSB	117,515	98,978

No other agreements to indemnify directors, offices or auditors have been entered into, nor have any payments in relation to indemnification been made, during or since the end of the financial year, by the Company.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

F) Transactions with other related parties

Transactions between e-pay Asia Limited and other entities in the Group include the advance of loan funds to and from group entities. All loans/advances were made on an unsecured, at call and interest free basis, except for an advance amount of \$1,148,500 (2009: \$700,000) which is subject to weighted interest at a rate of 6.92% (2009: 5%) and is repayable within 12 months of financial reporting date. Amounts of other outstanding payable balances at year end are shown in Note 15.

During the year, e-pay Asia Limited charged e-pay (M) Sdn Bhd a guarantee fee in connection with corporate guarantee provided in respect of bank borrowings by e-pay (M) Sdn Bhd. The guarantee fee is charged at 1.5% per annum on the total amount guaranteed at the end of the month. Total fee income charged during the year was \$249,482 (2009: \$315,368).

G) Options holding

There were no options held during the financial year by key management person of the consolidated entity, including their personally related entities.

Note 24. Remuneration of Auditors

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related parties:

	CONSOLIDATED GROUP	
	2010	2009
	\$	\$
Assurance Services		
<i>Hall Chadwick</i>		
- Audit and review of financial reports	55,000	60,500
<i>Crowe Horwath Kuala Lumpur</i>		
- Audit and review of financial reports of certain entities in the Group	23,775	28,111
Total remuneration for assurance services	78,775	88,611
Taxation Services		
<i>Hall Chadwick</i>		
- Tax compliance services	26,380	11,400
<i>Crowe Horwath Kuala Lumpur</i>		
- Tax compliance services	5,370	3,439
Total remuneration for taxation services	31,750	14,839
Advisory Services		
Sundry accounting advisory services		
- Hall Chadwick	4,106	-
Total remuneration for advisory services	4,106	-

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

Note 25. Financial Risk Management

The Board of Directors recognises the importance of financial risk management in the overall management of the Group's business. A sound risk management system will not only mitigate financial risks but will be able to create opportunities if risk elements are properly managed.

The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders while minimising potential adverse effects on the performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies set out as follows:

(a) Foreign Currency Exchange Risk

The Group is exposed to foreign exchange risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The currencies involved are primarily the Malaysian Ringgit, Indonesian Rupiah, and Thai Baht. The Group carries out reviews periodically to ensure that the net exposure is kept at an acceptable level. The Group does not use derivative financial instruments to hedge this risk.

Group Sensitivity

Based on the financial instruments held at 31 December 2010, had the Australian dollar weakened/strengthened by 10% against the Malaysian Ringgit and the Indonesian Rupiah, the Group's foreign currency translation reserve will change by \$1,164,075 (2009: \$994,119) mainly as a result of the foreign exchange difference arising from the translation of the financial statements of the Group's overseas subsidiaries which are stated in functional currencies other than the presentation currency.

(b) Interest Rate Risk

The Group's exposure to interest rate risk for changes in interest rates is related primarily to the Group's cash deposits placed with licensed banks and bank borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arising from the Group's borrowings is managed through a mix of fixed and floating rates debts. The Group does not use derivative financial instruments to hedge this risk.

Group Sensitivity

Based on the financial instruments held at 31 December 2010, had interest rates increased/decreased by 100 basis points, the Group's net profit will change by \$40,757 (2009: \$76,417).

(c) Market Risk

The Group's exposure to market risk is minimal and arises mainly from fluctuations in the cost of PINs. The Group manages this risk by entering into purchase contracts at a pre-determined fixed price.

(d) Credit Risk

Credit risk, which is the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on customers requiring credit exceeding a certain amount and by limiting the Group's business associations to parties with high credit worthiness. Trade receivables are monitored on an ongoing basis to ensure that the Group's exposure to credit risk is limited.

(e) Liquidity and Cash Flow Risks

The Group actively manages its operating cash flows and debt maturity profile so as to ensure that all commitments and funding needs are met. As part of the overall liquidity management, it is the Group's policy to ensure continuity in servicing its future cash obligations by forecasting its cash commitments and maintaining a sufficient level of cash and cash equivalents to meet its working requirements. In addition, the Group maintains sufficient banking facilities to meet its operational needs.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

CONSOLIDATED GROUP December 2010	Within 1 Year \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Financial liabilities due for payment				
Trade and other payables	12,462,135	-	-	12,462,135
Bank loans	3,835,200	-	-	3,835,200
Hire purchase	26,767	79,004	-	105,771
Total contractual and expected outflows	16,324,102	79,004	-	16,403,106
Financial assets - cash flows realisable				
Cash and cash equivalents	12,211,750	-	-	12,211,750
Trade and other receivables	3,276,806	-	-	3,276,806
Available for sale financial assets	-	-	25,696	25,696
Total anticipated inflows	15,488,556	-	25,696	15,514,252
Net inflow/ (outflow) of financial instrument	(835,546)	(79,004)	25,696	(888,854)
CONSOLIDATED GROUP December 2009	Within 1 Year \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Financial liabilities due for payment				
Trade and other payables	7,221,783	-	-	7,221,783
Bank loans	6,869,100	-	-	6,869,100
Total contractual and expected outflows	14,090,883	-	-	14,090,883
Financial assets - cash flows realisable				
Cash and cash equivalents	7,723,220	-	-	7,723,220
Trade and other receivables	2,386,908	-	-	2,386,908
Available for sale financial assets	-	110,692	26,300	136,992
Total anticipated inflows	10,110,128	110,692	26,300	10,247,120
Net inflow/ (outflow) of financial instrument	(3,980,755)	110,692	26,300	(3,843,763)

The carrying amounts of financial assets and financial liabilities approximate the estimated fair value of those financial assets and financial liabilities. The net fair value of a financial asset or financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

Note 26. Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities

Notes to the Financial Statements for the year ended 31 December 2010

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Business Segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Prepaid top-up services

The prepaid top-up business segment is principally engaged in the distributorship of various prepaid services, including mobile phone airtime and diesel.

Software Solutions

The software solutions business segment is principally involved in the provision of software solutions to customers including software licences, customisation and installation of software, and the provision of ongoing software maintenance services.

Corporate

The corporate segment covers all corporate matters relating to the publicly listed company, including public relations, finance, stock exchange, audit, company secretarial etc.

Geographical Segments

Although the Group divisions are managed on a global basis they operate in two main geographical areas:

- *Australia*
The home country of the company. The Group does not operate but only maintains its corporate office in Australia.
- *Asia*
Comprises prepaid mobile phone top-up services in Malaysia, Indonesia, Thailand and Pakistan, prepaid diesel top-up services in Malaysia, and software solutions business throughout the Asian region.

Segment performance

	Prepaid Top-up \$	Software Solutions \$	Corporate/ unallocated \$	Total \$
Segment revenue				
2010				
External sales	10,382,700	70,847	-	10,453,547
Interest income	105,554	-	44,435	149,989
Other income	162,694	-	102,235	264,929
Total revenue	10,650,948	70,847	146,670	10,868,465

Reconciliation of segment results to group profit before tax

Amount not included in segment result but reviewed by the Board:

Depreciation and amortisation	(842,508)	(9,783)	-	(852,291)
Finance cost	(194,676)	-	-	(194,676)
Others	(6,171,227)	(201,952)	(390,786)	(6,763,965)
Net profit before tax from continuing operations	3,442,537	(140,888)	(244,116)	3,057,533

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Segment performance

	Prepaid Top-up \$	Software Solutions \$	Corporate/ unallocated \$	Total \$
Segment revenue				
2009				
External sales	10,098,927	39,573	-	10,138,500
Interest income	140,816	-	34,983	175,799
Other income	95,663	-	17,505	113,168
Total revenue	10,335,406	39,573	52,488	10,427,467

**Reconciliation of segment results
to group profit before tax**

**Amount not included in segment
result but reviewed by the Board:**

Depreciation and amortisation	(1,120,308)	(8,247)	-	(1,128,555)
Finance cost	(302,357)	-	(364,766)	(667,123)
Others	(5,097,204)	(226,292)	(1,058,951)	(6,382,447)
Net profit before tax from continuing operations	3,815,537	(194,966)	(1,371,229)	2,249,342

	Prepaid Top-up \$	Software Solutions \$	Corporate/ unallocated \$	Total \$
Segment Assets				
2010				
Segment assets	28,919,464	58,734	2,019,293	30,997,491
Segment asset increases for the year:				
- capital expenditure	697,231	34,231	-	731,462
Total group assets	29,616,695	92,965	2,019,293	31,728,953

2009

Segment assets	23,884,306	44,074	452,206	24,380,586
Segment asset increases for the year:				
- capital expenditure	86,064	-	-	86,064
Total group assets	23,970,370	44,074	452,206	24,466,650

	Prepaid Top-up \$	Software Solutions \$	Corporate/ unallocated \$	Total \$
Segment Liabilities				
2010				
Segment liabilities	16,102,979	13,457	401,726	16,518,162
Total group liabilities	16,102,979	13,457	401,726	16,518,162

2009

Segment liabilities	13,563,399	1,472	649,652	14,214,523
Total group liabilities	13,563,399	1,472	649,652	14,214,523

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Geographical Segment Information

Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	2010	2009
	\$	\$
Malaysia	10,721,795	10,374,979
Australia	146,670	52,488
Total revenue	10,868,465	10,427,467

Assets by geographical region

The location of segment assets is disclosed below by geographical location of the assets:

	2010	2009
	\$	\$
Malaysia	29,709,660	24,014,444
Australia	2,019,293	452,206
Total Assets	31,728,953	24,466,650

Note 27. Earnings Per Share:

	Consolidated 31 December 2010	Consolidated 31 December 2009
Basic earnings per share (cents per share)	4.67	2.97
Diluted earnings per ordinary share (cents per share)	4.67	2.97

(a) Number of ordinary shares

Weighted average number of ordinary shares used in the calculation of basic earnings per share

	<u>37,770,966</u>	<u>28,165,160</u>
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Weighted average numbers of ordinary shares used in the calculation of diluted earnings per share

	<u>37,770,966</u>	<u>28,165,160</u>
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(b) Earnings

Earnings used in the calculation of basic earnings per share

	<u>1,763,228</u>	<u>836,284</u>
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Earnings used in the calculation of diluted earnings per share

	<u>1,763,228</u>	<u>836,284</u>
--	------------------	----------------

Note 28. After Balance Date Events

No matters or circumstances have arisen since 31 December 2010 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

Note 29. Controlled Entities

The consolidated financial statements at 31 December 2010 include the following controlled entities of legal parent entity e-pay Asia Limited. The financial year end of all the controlled entities is the same as that of the legal parent entity.

Name of Controlled Entity	Place of Incorporation	% of Shares Held	
		December 2010	December 2009
e-pay Asia Holdings Limited	British Virgin Island	100.0	100.0
e-pay Asia Consulting Limited	British Virgin Island	100.0	100.0
e-pay (M) Sdn Bhd	Malaysia	60.0	60.0
PT e-pay Indonesia (i)	Indonesia	68.5	68.5
e-pay Thailand Co. Limited (i)	Thailand	29.7	29.7
Mobiepay Sdn Bhd	Malaysia	100.0	100.0
Mobiepay LLC	USA	100.0	100.0
SkyNetGlobal (South-East Asia) Pte Limited	Singapore	79.0	79.0
SkyNetGlobal Communications Pty Ltd (ii)	Australia	-	100.0
W Home Communications Pty Ltd (ii)	Australia	-	100.0
Mobiepay Pty Ltd	Australia	100.0	100.0
OGL Solutions Sdn Bhd	Malaysia	100.0	100.0
First Remittance Sdn Bhd (iii)	Malaysia	100.0	-

- (i) These entities are consolidated since they are controlled by e-pay (M) Sdn Bhd.
- (ii) These entities were deregistered in 2010.
- (iii) This entity was incorporated in 2010.

Note 30. Parent Entity Disclosures

The Corporations Amendment (Corporate Reporting Reform) Act 2010 (Cth) (Amendment Act) received Royal Assent on 28 June 2010. The Amendment Act will not require the consolidated group to prepare detailed financial statements for the parent entity for years ended on or after 30 June 2010. Following are the disclosure requirements for the parent entity:

(a) Statement of Comprehensive Income

	Parent Entity	
	2010	2009
	\$	\$
Loss for the year	(236,091)	(4,987,165)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(236,091)	(4,987,165)

e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities
Notes to the Financial Statements for the year ended 31 December 2010

(b) Statement of Financial Position

	Parent Entity	
	2010	2009
	\$	\$
Assets		
Total current assets	732,124	1,220,495
Total non-current assets	6,332,426	6,443,111
Total assets	7,064,550	7,663,606
Liabilities		
Total current liabilities	401,723	3,208,664
Total non-current liabilities	-	-
Total liabilities	401,723	3,208,664
Net assets	6,662,827	4,454,942
Equity		
Issued capital	89,742,871	87,298,895
Reserves	1,919,216	1,854,909
Retained losses	(84,999,260)	(84,698,862)
Total equity	6,662,827	4,454,942

Note 31. Contingent Liabilities

There are no contingent liabilities at the end of financial year.

Note 32. Company Details

The registered office of the company and principal place of the business is located at Suite 2802, Level 28, St Martins Tower, 31 Market Street, Sydney NSW 2000 Australia.

e-pay Asia Limited

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 17 to 55, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards; and
 - b. give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Simon Loh
Chief Executive Officer
Kuala Lumpur, 25 March 2011

E-PAY ASIA LIMITED
ABN 99 089 227 887

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E-PAY ASIA LIMITED

We have audited the accompanying financial report of e-pay Asia Limited and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statement comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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E-PAY ASIA LIMITED
ABN 99 089 227 887

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
E-PAY ASIA LIMITED**

Opinion

In our opinion:

- a. the financial report of e-pay Asia Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of e-pay Asia Limited for the year ended 31 December 2010, complies with Section 300A of the Corporations Act 2001.

Hall Chadwick
Level 29, 31 Market Street
Sydney, NSW 2000



DREW TOWNSEND

Partner

Dated: 25 March 2011

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Additional Stock Exchange Information as at 22 March 2011

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

Number of holders of equity securities

Equity securities include shares and options over unissued securities.

Ordinary share capital

56,930,320 fully paid ordinary shares are held by 716 individual shareholders.

On a show of hands, every ordinary shareholder present, in person or by proxy, attorney or representative, has one vote.

On a poll, every ordinary shareholder present has one vote for each fully paid share held.

Substantial shareholders as at 22 March 2011

Shareholder	Shareholding	% Issued Capital
HSBC CUSTODY NOMINEES (AUST) LIMITED	30,142,240	52.95
CENTURION PORTFOLIO SDN BHD	10,818,606	19.00
DATO MD HASSAN HJ SAID	4,257,061	7.48

Distribution of shareholders as at 22 March 2011

Shareholder	Fully Paid ordinary shares
1 - 1,000	247
1,001 - 5,000	226
5,001 - 10,000	84
10,001 - 100,000	131
100,001 and over	28
Total	716

The total number of shareholders holding less than a marketable parcel of 2,942 is 362 holding a total of 315,286 shares.

Twenty Largest Shareholders

The names of the 20 largest holders of quoted ordinary shares as at 22 March 2011 were as follows

Shareholder	Shareholding	% Issued Capital
HSBC CUSTODY NOMINEES (AUST) LIMITED	30,142,270	52.95
CENTURION PORTFOLIO SDN BHD	10,818,606	19.00
DATO MD HASSAN HJ SAID	4,257,061	7.48
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	818,387	1.44
MR YAP CHIH MING	626,703	1.10
MR LEONG KAH CHERN	403,529	0.71
NATIONAL NOMINEES LIMITED	339,046	0.60
MR IANAKI SEMERDZIEV	338,000	0.59
MR WEI SEONG CHIN	334,384	0.59
MR CHIH MING YAP	320,000	0.56
MR MARK JOHN MICHAEL DITCHFIELD	305,000	0.54
MR WONG YIN CHING	273,700	0.48
RACELAND HOLDINGS PTY LTD <G & J SIMON SUPER FUND A/C>	266,000	0.47
ALBY AUSTRALIA PTY LTD	235,130	0.41
MR ANTHONY JOHN HAMILTON	234,285	0.41
MR WONG YIN CHING	232,350	0.41
MR SEOW KEE FONG & MS SU MING THAM	160,000	0.28
MR ROBERT GRAHAM CHEESMAN & MRS DOROTHY PATRICIA CHEESMAN <CHEESMAN SUPER FUND A/C>	155,928	0.27
SHARE NOMINEES LIMITED	150,000	0.26
MR MINH LOI	144,814	0.25
TOTAL	50,555,193	88.80